

## Free File Alliance

Paul Mamo (IRS)  
Mike Cavanagh (CERCA)

- Paul Mamo said that this initiative grew out of an Office of Management and Budget (OMB) task force (part of the President's Management Council) which examined e-initiatives, including those for "government to citizen" (G2C)
- OMB wanted fast implementation (Service was launched in mid-January, 2003)
- In January 2002, Treasury press release said IRS would work with the private sector, which had the expertise and experience in this area. IRS established a subcommittee under the Electronic Tax Administration Advisory Committee (ETAAC), a congressionally-mandated body per the Revenue and Restructuring Act of 1998
- Players included government representatives from Treasury, OMB, the Federation of Tax Administrators (FTA represents state tax agencies) and IRS; industry representatives; and external stakeholders (CERCA - Council for Electronic Revenue Communication Enhancement and NACTP - National Association of Computerized Tax Processors)
- By late July, 2002, government/industry agreed in principle to an Agreement and drafted a 'Term Sheet' outlining the proposal components
- On August 8, 2003, Term Sheet was published in the Federal Register, which opened a 30-day public comment period. Public comments were overwhelming favorable
- Agreement signed October 30, 2003, by IRS Commissioner Rossotti and CERCA's Free File Alliance Manager, Mike Cavanagh
- Key Agreement points included:
  - IRS manages Free File "pages" content on [irs.gov](http://irs.gov) website (also accessible through [firstgov.gov](http://firstgov.gov).)
  - IRS does **not endorse any specific offerings**
  - Both parties coordinate marketing efforts
- Industry's view was that IRS would not provide free tax preparation and e-filing services; efforts would be coordinated through CERCA; industry would participate in marketing and web design; and industry would develop and manage its own Operating Agreement, the features of which were:
  - Establishing governance standards
  - Setting free file offering threshold (covers at least 10% of the taxpaying public, i.e., 13 million)
  - Developing a tiered structure to determine product placement of the website
- Government benefits from Agreement because no IT investment was needed, thus speeding up service delivery, project administrative costs

were relatively small, and the value of experience and proven tax software products were leveraged

- Taxpayers benefit because they had one central site to obtain free e-filing services, tax preparation time and burden was reduced due to tax software capabilities, many choices were available (17 companies were part of the Free File Alliance in 2003)
- Marketing and publicity efforts were challenging for the 2003 season due to short lead times. More time is available to market offerings for 2004. Marketing will drive people to the IRS web site. The Free File Alliance offering reside there and, thus, customers will readily see this alternative and use it, if desired
- The 25-30 million taxpayers who prepare returns manually are the target market. There is no intent to affect tax professional community customers.
- Free File Alliance is one option, not the saving solution to reach e-file goal (80% by 2007)
- 2.73 million returns were filed through Free File Alliance during 2003 filing season. This was 23% of all online filings, 5% of all returns e-filed. Free File pages attracted 8.3 million unique visitors. Offerings are available through October 15, so additional filings are anticipated
- Alliance members met June 4, 2003, to assess feedback (from IRS assistors and the public) and suggest improvements for 2004. Among the likely changes:
  - Improve web design to make information more accessible
  - Increase coordination with outreach organizations to publicize this option
  - Include state participation
- Mike Cavanagh said that the Alliance will work to improve the process for taxpayers. He said continued cooperation and hard work are needed. Yesterday's meeting lasted for 10 and ½ hours and, based on that, industry representatives will meet with IRS the week of June 9<sup>th</sup> to further discuss the 2003 experience and how to improve it for 2004